

# Establishing Credibility & Avoiding Greenwashing on the Path to Net Zero



**CBSR**

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# Definitions: Greenwashing

Greenwashing is complex & multi-faceted, which means there are a handful of potential definitions:

- "the intersection of two firm behaviors: **poor environmental performance** and **positive communication** about environmental performance"
- "the act of **disseminating disinformation** to consumers regarding the environmental practices of a company or the environmental benefits of a product or service"

# 1

## Definitions: Net Zero

Having a definitive, consistent definition for net zero, greenwashing and other climate action terms is important to encourage forward progress.

CBSR defines "net zero" using the [International Organization for Standardization](#) (ISO) definition, outlined here:

### 3.1.1

#### **net zero**

#### **net zero GHG**

condition in which human-caused **residual GHG emissions** (3.2.9) are balanced by human-led **removals** (3.3.3) over a specified period and within specified boundaries

Note 1 to entry: Human-led removals include ecosystem restoration, direct air carbon capture and storage, reforestation and afforestation, enhanced weathering, biochar and other effective methods.

Note 2 to entry: The words "human-caused" and "human-led" are intended to be understood as synonymous with the word "anthropogenic" in IPCC definitions.

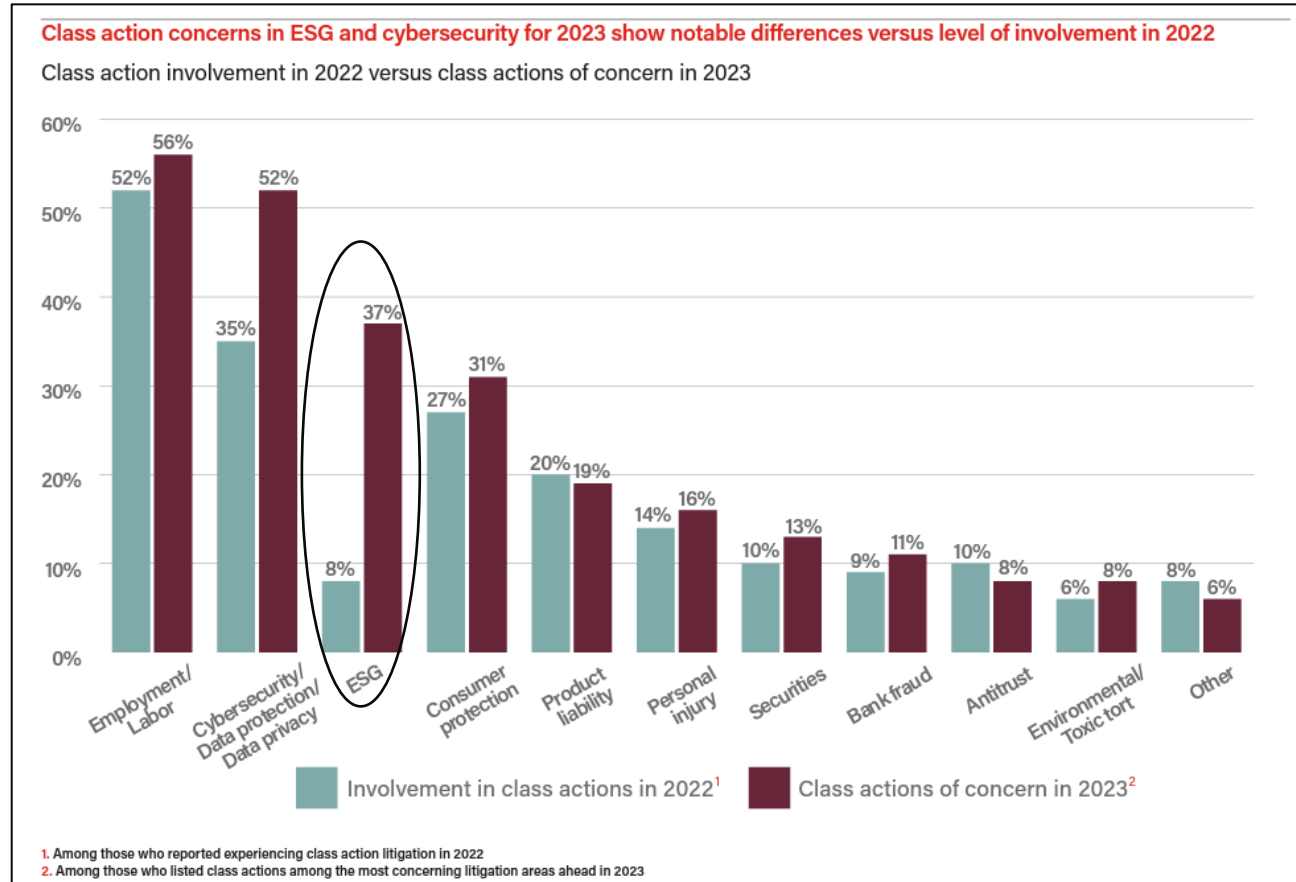
# Forms of Greenwashing: The Risk of Getting it Wrong

The Competition Bureau of Canada has made it clear that greenwashing is illegal and that it will be a priority for them moving forward, which is clear through the increased number of greenwashing allegations we've seen in the past few years.

In [Norton Rose Fulbright's 2023 Litigation Trends Survey](#) of 430 general counsel and in-house litigation leaders in the US and Canada, their responses were telling of the increased concern over ESG.

**28%** of respondents said that their ESG-related exposure had deepened

**24%** of respondents expect increased ESG-related exposure in the coming year



# Forms of Greenwashing



**Greenhushing:** the act of corporate management teams under-reporting or hiding their sustainability credentials in order to evade investor scrutiny.

**Greenrinsing:** when a company regularly changes its ESG targets before they are achieved.

**Greenlabelling:** a practice where marketers call something green or sustainable, but a closer examination reveals that their words are misleading.

**Greenshifting:** when companies imply that the consumer is at fault and shifts the blame on to them.

**Greenlighting:** when company communications (including advertisements) spotlight a particularly green feature of its operations or products, however small, in order to draw attention away from environmentally damaging activities being conducted elsewhere.

**Greencrowding:** the belief that you can hide in a crowd to avoid discovery; it relies on safety in numbers. If sustainability policies are being developed, it is likely that the group will move at the speed of the slowest.

## Green-hushing

The South Pole surveyed 1,200 corporate leaders across 12 countries and found that 23% of them decided not to publicize their science-based milestones beyond what is mandated.

67% of those same respondents mentioned that they have set ambitious net zero targets and science-based targets.

What's the issue?

Keeping organizational targets away from the public limits the ability for input, scrutinization and collaboration. Input from the public and opportunity for collaboration are key drivers for advancing net-zero ambitions and holding companies accountable for their commitments.

### Among surveyed sustainability-minded organisations

67%

Have set both a net zero target **and** a science-based target

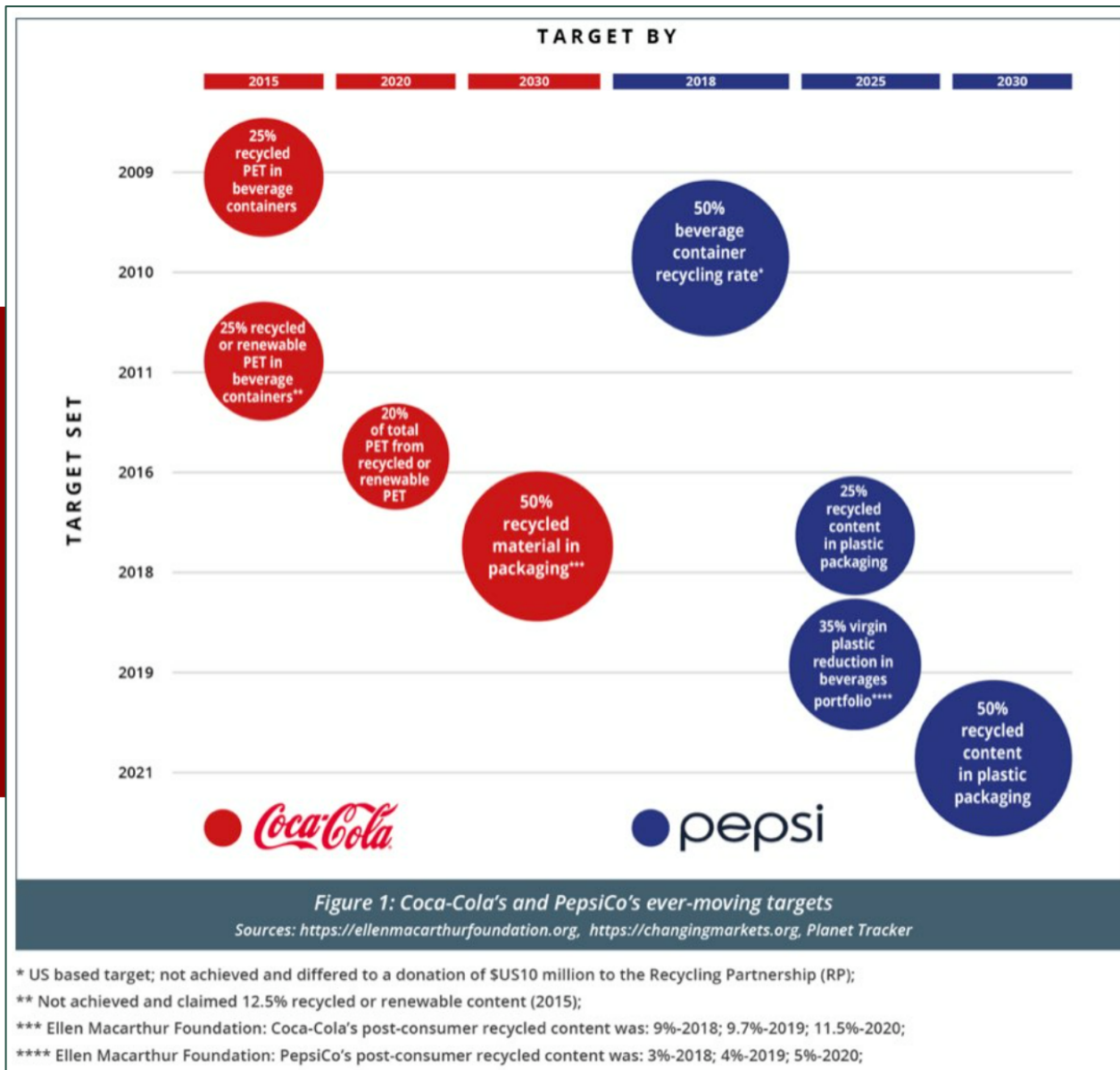
23%

Have decide **not** to publicise their science-based climate milestones

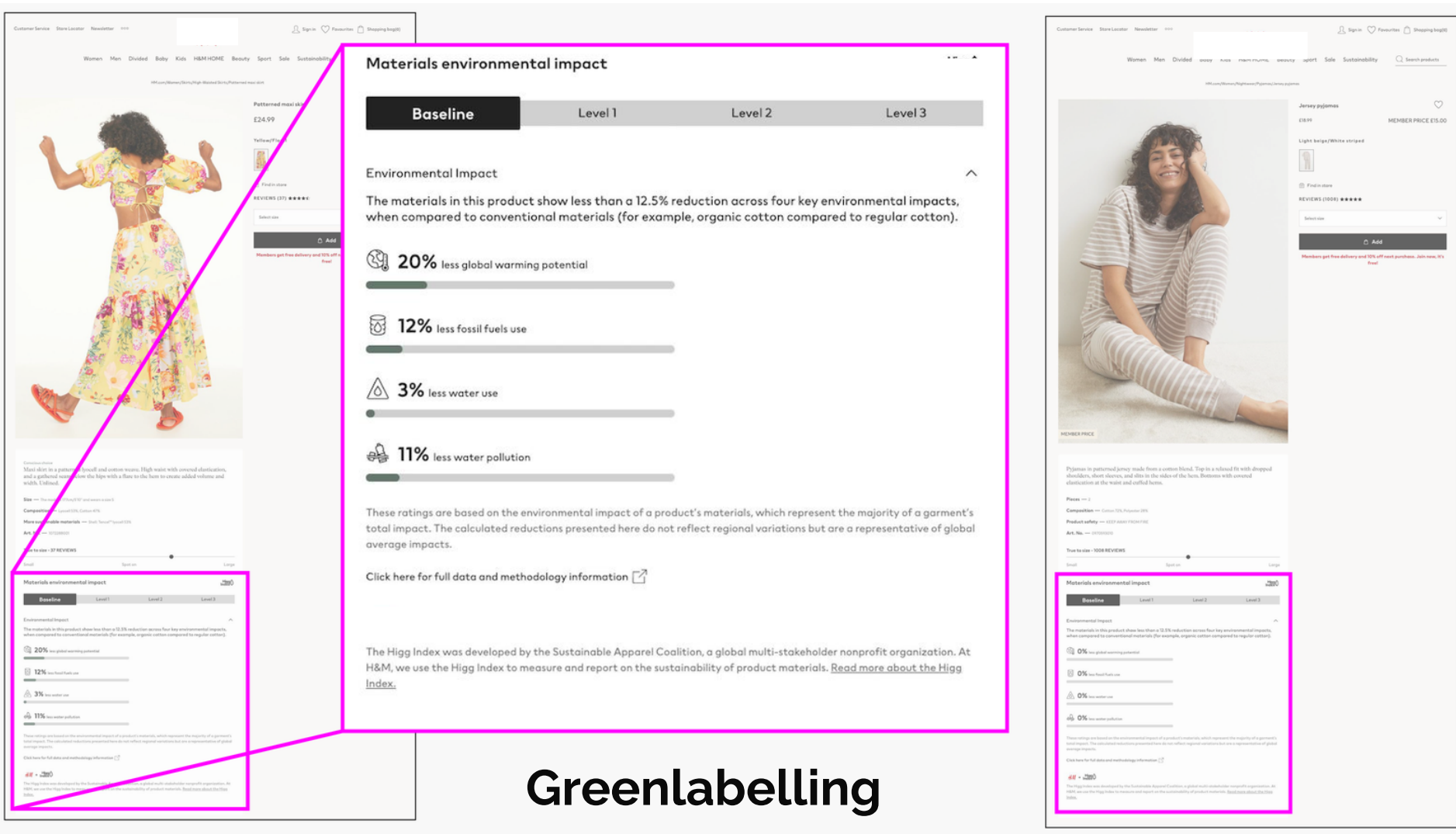


# Greenrinsing

These two organizations moved their sustainability goals farther away to compensate for a lack of prioritization and progress towards the originally set goal. This practice gave them the perception of having a sustainability focus, even though they had taken little to no action in achieving the goal.

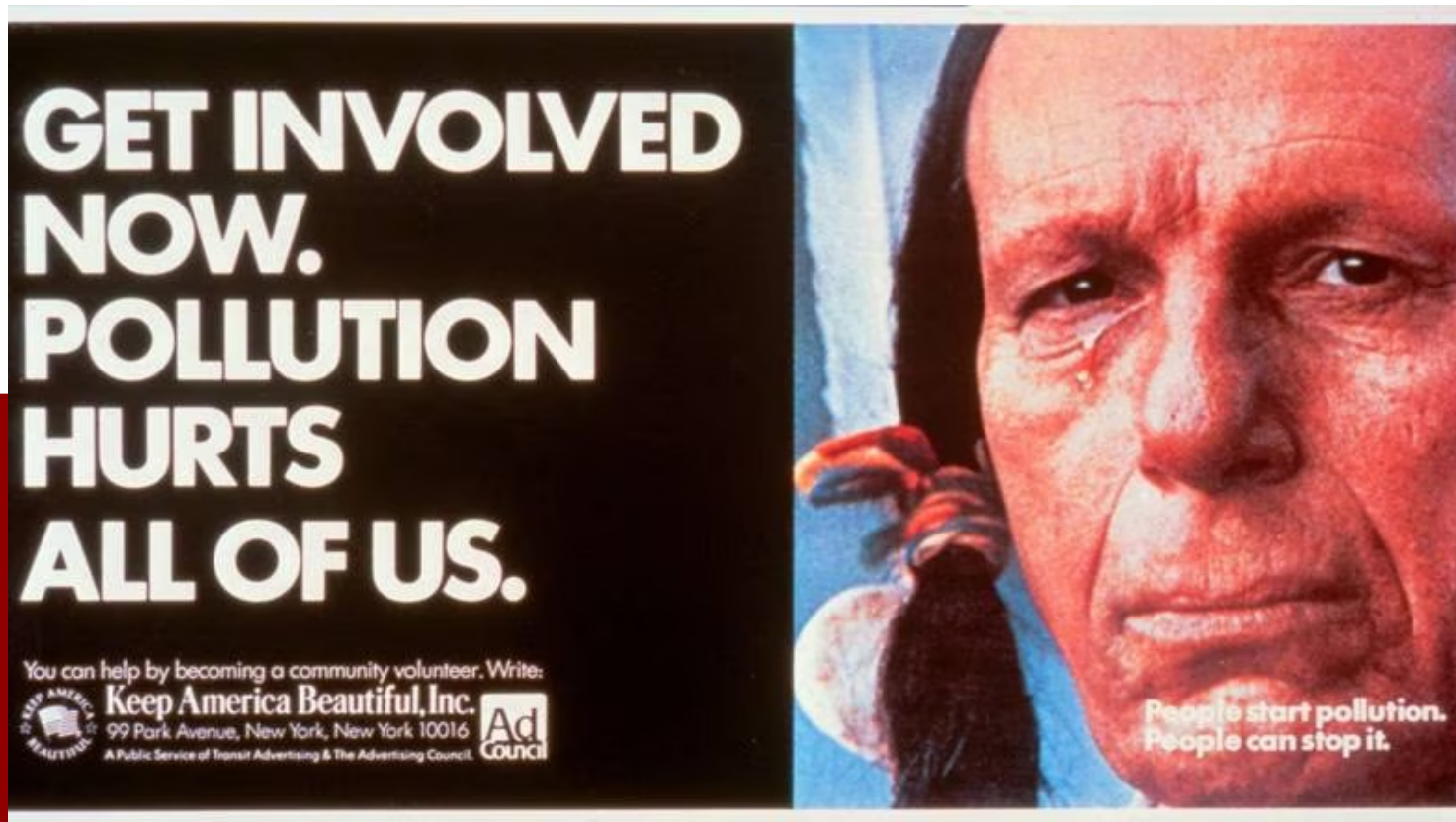






## Greenlabelling

This fashion retailer included environmental impact data on the clothing pieces from their "eco-friendly" clothing line. They were charged for greenwashing and after the investigation, it was found that the data values were based on limited information and had minimal to no credibility.

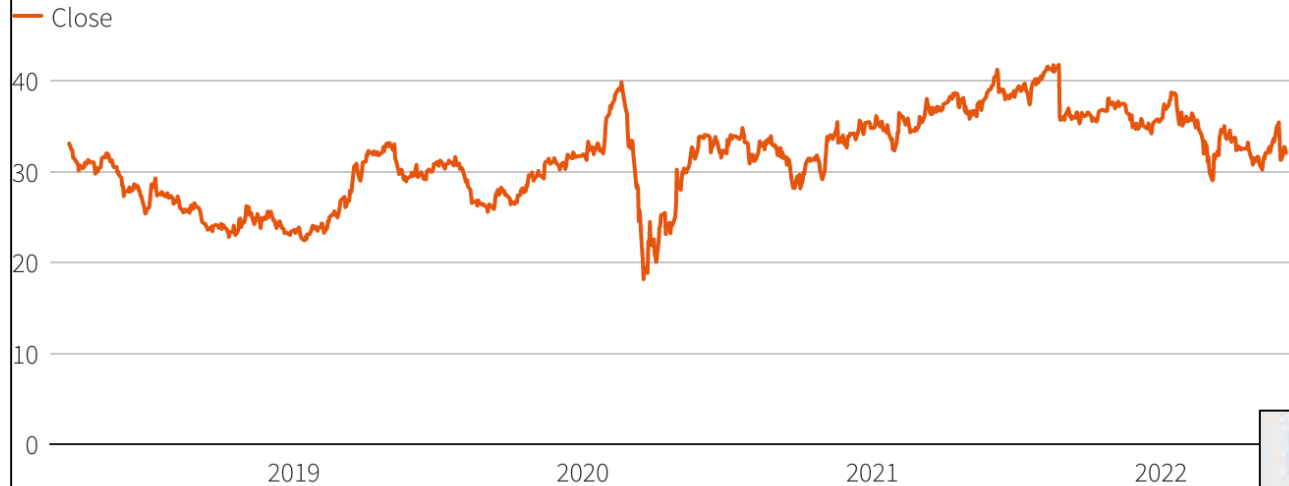


## Greenshifting

This advertisement from Keep America Beautiful shifts the blame and guilt of pollution onto the consumer, urging them to recycle and to stop pollution. These ads avoid the under-lying cause of pollution and waste, which is (amongst others) the reliance on single-use plastics by commodity producers.

## DWS shares

Shares in the asset manager majority-owned by Deutsche Bank are trading below the price of their 2018 initial public offering and have lost 23% since allegations of "greenwashing" emerged in August.



Source: Refinitiv

## Greenlighting

DWS Asset Management Group advertised their funds as "green" due to data and facts from a minority number of their investments, without mentioning the true impact of the majority.

Because they utilized the realities of a handful of anomaly sustainable investments to characterize their entire investment practice, this is considered greenlighting.

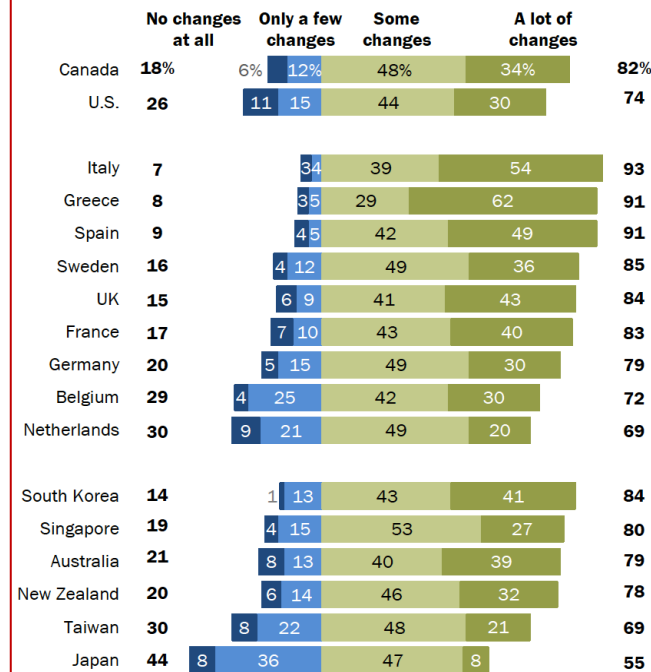




# Forms of Greenwashing: Incentives

**Most people in publics surveyed are willing to make at least some changes to their lives to help reduce the effects of climate change**

% who would be willing to make \_\_\_ about how they live and work to help reduce the effects of global climate change



Note: Those who did not answer not shown.

Source: Spring 2021 Global Attitudes Survey. Q32.

"In Response to Climate Change, Citizens in Advanced Economies Are Willing To Alter How They Live and Work"

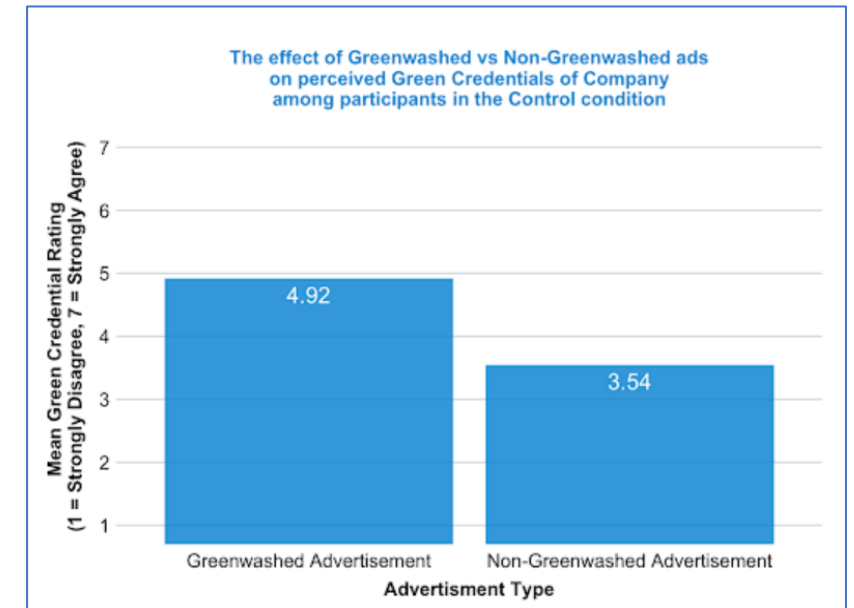
PEW RESEARCH CENTER

**Shareholders, Rightsholders & Consumers are demanding climate action** through their votes and their consumption. Studies have shown that consumers are both willing to pay more for sustainable products and care more about the environment than ever before.

The unfortunate truth is that without proper education & awareness, greenwashing works. A study of 10,000 young people (aged 16-25) found that 57% of respondents believed that greenwashed claims were a reliable source of information.

**In the end, it is up to the organization to authentically and truthfully advance sustainability without using it as a façade for increased profit.**

Luckily, there are many different resources to support business in avoiding greenwashing.



### 3

# Avoiding Greenwashing: Principles of Effective Net Zero Plans

The Network for Business Sustainability [released a framework](#) on practical ways businesses can avoid greenwashing in marketing, goal setting and reporting.

Their recommendations on avoiding greenwashing reinforce two consistencies:

(1) validate your claims with third party verification systems and/or with strong, independent evidence **and** (2) choose honesty and transparency in reporting and marketing

More specifically...

Avoid unclear  
terms and  
jargon

Verify claims  
with evidence  
or third-party  
verification

Lobby in favor  
of  
environmental  
laws

Do not  
selectively  
disclose. Share  
everything –  
good and bad.

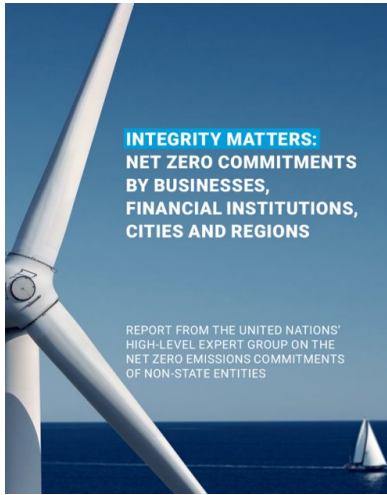
Spend more  
on achieving a  
goal than  
marketing it

Make sure  
messaging  
represents  
scientific  
consensus

Make sure  
green claims  
reflect across  
the entire  
organization

# Avoiding Greenwashing: Principles of Effective Net Zero Plans

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The United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities released their report "[Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities & Regions](#)" following COP27.

This report has been widely referenced and has sparked the conversation on net zero credibility.

This report outlines 10 principles that should guide businesses, financial institutions, cities & regions to create, monitor and achieve net zero commitments. The key focus of this report is to encourage transparency and accountability. While most of the principles & recommendations are commonly known, there were a few that push the envelope and require greater action from state & non-state actors.

## Creating a Just Transition with Net Zero

- Considering community impact of operations
- Inclusion of UNDRIP

## Carbon Credits

- Cannot be used to achieve interim targets
- Only used for emissions beyond supply chain
- Must come from a credible issuer

## Transparency & Trustworthiness

- Fill data gaps
- Auditing/verification
- Audit emissions reductions
- Annual reporting

What is a consistent amongst these recommendations? Integrating sustainability in organizational DNA.

1

2



# Carbon Offsets: Background & Definitions



This video from BBC News provides an overview of the carbon offsets market.

## Carbon Markets:

Compliance markets are regulated by government-level agencies and are used by companies and governments that are legally mandated to offset their emissions.

Voluntary markets are used by voluntary buyers namely corporations, institutions and individuals. In most cases, the carbon credits from the voluntary market cannot be used in the compliance market unless explicitly accepted.

While the compliance markets are governed by schemes like the Clean Development Mechanism created under the Kyoto Protocol, the European Union Emissions Trading Scheme (EU-ETS) and the California Carbon Market, the voluntary market is governed by a handful of registry's that evaluate potential carbon offset projects and either approve them or deny them.

## Forms of Offsets

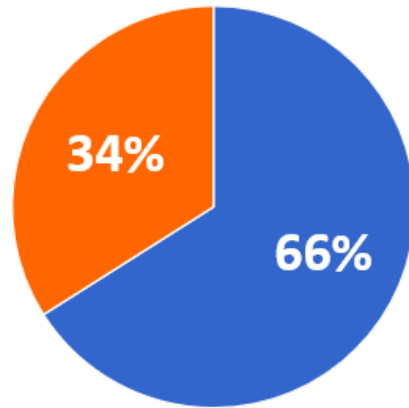
Removal Offsets: generated from activities that pull carbon out of the atmosphere

Avoidance Offsets: activities that reduce emissions by preventing emissions from being released into the atmosphere

# Carbon Offsets & Greenwashing

## Reliance on Carbon Offsets

% of 35 analyzed companies



■ Rely on Carbon Offsets  
■ Do not rely on Carbon Offsets

Source: Company reports

The voluntary carbon offsets market, if relied on too heavily, allows companies to reach "net zero" without lowering their operational and supply chain emissions.

Research done by the Columbia Center on Sustainable Investment explored that exact issue. Through the analyzation of 35 companies, researchers discovered that 66% of companies relied on carbon offsets in their net zero journey.

Often times, because these carbon credits projects are taking place in geographically different zones from the companies buying them, there is little research or consideration towards:

- The effectiveness of carbon offsetting projects in lowering global emissions
- The impact of carbon offsetting projects on the surrounding community
- How the carbon offsetting project came to fruition & how long it would continue – was the project going to occur regardless of if you purchased the credit? Is it long-term enough to *truly* support lowered global emissions?

## EVICTED FOR CARBON CREDITS

NORWAY, SWEDEN, AND FINLAND DISPLACE UGANDAN FARMERS FOR CARBON TRADING



A perfect example of the challenges and negativities of carbon offsetting is the [Kachung tree plantation carbon offsetting project](#) in Uganda which was audited by the Swedish Energy Agency and endorsed as a carbon credit by [Green Resources](#). Upon investigation, it was found that this project required the eviction of multiple villages to get enough land to build the plantation.

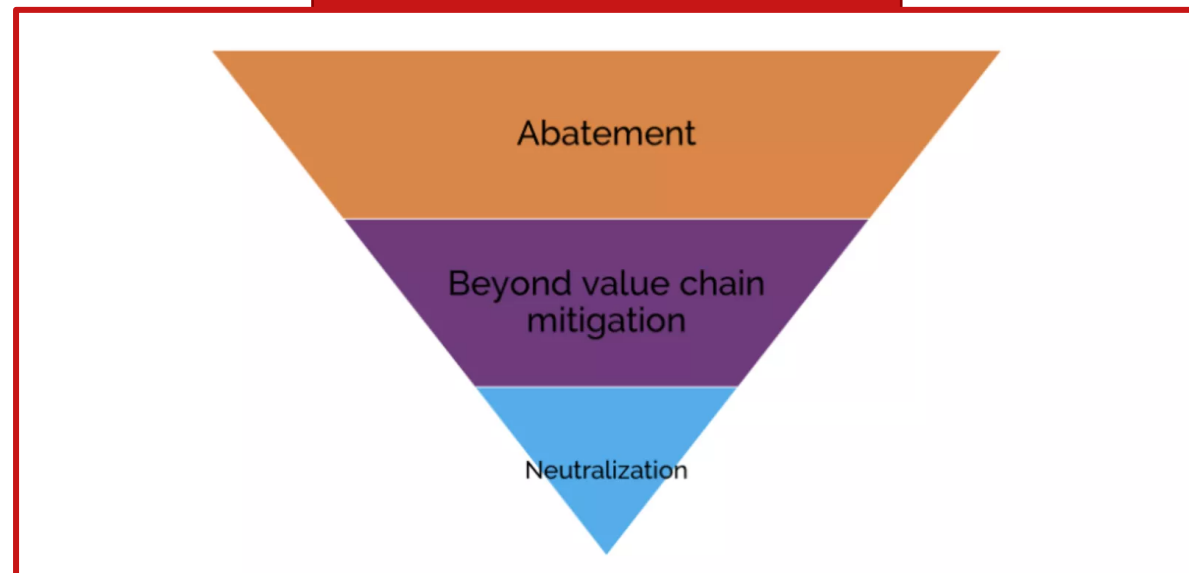
The fact of the matter is that **there's not enough land to offset everyone's carbon emissions** – we must first prioritize organizational emissions reduction and use carbon offsets sparingly.

# Carbon Offsets & Reaching Net Zero

While there can be negative aspects of carbon offsetting if over relied on and incorrectly audited, there is also a reality that offsets are an essential component of the global net zero journey.

In a [blog series](#) from the Science Based Target Initiative (SBTi) mentions business value chain mitigation (also known as carbon offsets) as an important mechanism to address emissions that fall beyond an organization's value chain and beyond the jurisdiction of science-based targets.

SBTi emphasizes that setting and achieving science-based targets should be absolute priority for organizations (as denoted in the hierarchy graph to the right) but contributing to business value chain mitigation will be essential to making the most of the remaining carbon budget.



### 3

# Avoiding Greenwashing: Embedding Social Purpose

*What if the best way to avoid greenwashing, create organizational alignment and accelerate movement towards net zero is to adopt a Social Purpose?*

A business with a social purpose is a company whose enduring reason for being is to create a better world. It is an engine for good, creating societal benefits by the very act of conducting business. Its growth is a positive force in society.

With this definition in mind, greenwashing could be considered a **social purpose problem**. If a company is authentically living its purpose entire, then the less desirable, more harmful investments wouldn't fit the business model.

CBSR & the Education Foundation are supporters of the [Canadian Purpose Economy Project](https://socialpurpose.ca/social-purpose/#:~:text=What%20is%20Social%20Purpose%3F,a%20positive%20force%20in%20society,https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americanshttps://corostrandberg.com/wp-content/uploads/2017/09/definition-social-purpose-business-case.pdf) which aims to accelerate the transition to the purpose economy. Their work, alongside others in the space, will support real sustainable progress and organizational alignment around these issues.



# Avoiding Greenwashing: ECCC Net Zero Challenge

## The **NET-ZERO** Challenge

Committed to a clean future

The Government of Canada created the [Net Zero Challenge](#) to "**encourage companies to develop and implement credible and effective plans**" to achieve net-zero emissions by 2050. The Challenge supports the avoidance of greenwashing by utilizing carrots: a platform to highlight climate action achievements that can attract investor and customer confidence.

The Net-Zero Challenge is another ecosystem driver to reach a critical mass, effectively making net-zero plans, and the implementation of them, standard business practice.

Although the Challenge is a voluntary initiative, by signing a commitment letter companies agree to:

- Set a **net-zero emissions target for 2050** or earlier;
- Develop a **preliminary net-zero plan** within 12 months of joining the Challenge and a **comprehensive net-zero plan** within 24 months of joining; or, for the Glasgow Financial Alliance for Net-Zero (GFANZ) members use the accelerated process highlighting net-zero planning already underway;
- Set at least **two interim emissions reduction targets** consistent with achieving net-zero emissions by 2050 or earlier;
- **Report on progress annually** and review and update plans every five years;
- **Complete Participation Checklists** attesting to the content of net-zero plans and progress reports; and
- Conduct and **make public climate-related financial disclosures** (except small- and medium-sized enterprises).

### 3

## Avoiding Greenwashing: Incentive from Reporting Standards

Reporting standards are including requirements that promote greater transparency, governance and accountability for organizational sustainability and net-zero targets.

#### **Sustainability Accounting Standards Board ([SASB](#))**

- [Identifies](#) sustainability-related risks and opportunities that may impact an organization's financial condition

#### **The International Organization for Standardization's [Net Zero Guidelines](#)**

- Requires that Net Zero Plans establish, implement and maintain measuring, monitoring and reporting mechanisms
- They must also establish, implement and maintain a corrective action process to address deviation or failure to progress as expected against targets

#### **Task Force for Climate-related Financial Disclosures ([TCFD](#))**

- To be required by law starting 2024
- [Requires](#) a governance structure for identifying and managing climate-related risk

#### **Global Reporting Initiative ([GRI](#))**

- Discloses the ESG impacts from organizational activity

#### ***What could be coming...***

The Federal Trade Commission (FTC) is currently reviewing public comments on a [new Guide for the Use of Environmental Marketing Claims](#). These guides have been issued since 1992 and aim to improve environmental marketing practices in the US. They focus on methods to avoid deception and outline elements that can substantiate environmental claims.



# Key Takeaways: What's the Next Step?

- This group convenes corporate & EXCEL CBSR members to advance the adoption and implementation of net-zero ambitions. By providing resourcing and peer inputs, we support Canada's top net-zero leaders and build their capacity to accelerate their progress towards climate targets.

[Become a CCSR member](#) to join the NZWG.

**Join the Net Zero Working Group (NZWG)**



- CCSR's Net-Zero Leaderboard (the Leaderboard) provides Canada's only one-stop-shop for information on private sector net-zero commitments. The Leaderboard uses key target criteria to track progress on corporate and SME commitments, including interim targets, scopes, and alignment with science-based targets.

- [Apply for the Leaderboard](#) on CCSR's website.

**Join the Net-Zero Leaderboard**



- The Challenge supports Canadian companies in developing and implementing credible and effective plans to transition their facilities and operations to net-zero emissions by 2050.

Don't do it alone! This Challenge provides you with support, resources and *recognition* which can help you make measurable and credible change at your organization.

Learn how to join the Challenge on [ECCC's website](#).

**Join the ECCC Net-Zero Challenge**



Attend "**Sustainable Procurement: Your Secret Weapon Against Scope 3 Emissions**" on Tuesday, **February 28 from 3:45 – 5:00 PM ET in the Osgoode Ballroom** to learn about [CCSR's Sustainable Procurement Fellowship](#) and how it could support your organization in its journey to Net Zero.